

Michigan Tobacco Products Inventory Tax Return

Issued under P.A. 327 of 1993. Failure to file this return and/or remit the tax due may result in the issuance of a computed intent to assess for tax, penalty and interest in accordance with P.A. 122 of 1941, as amended.

Name and Address

Federal Employer ID Number

Effective August 1, 2002, there is an increase in the cigarette and other tobacco products tax rates. Note: This return and payment are due on or before September 1, 2002. Due to the fact that September 1st falls on a Sunday and Monday, September 2nd, is a holiday, returns post marked by September 3, 2002, will be considered timely. **Please read all instructions before completing this form.**

<input type="checkbox"/> If you do not have a cigarette or other tobacco product inventory on July 31, 2002, or if you do not sell cigarettes or other tobacco products, check this box, sign below, and return to the address at the bottom of this form.
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CIGARETTES	
Inventory of Stamped 20-cigarette Packs	
1. Inventory as of July 31, 2002. Number of packs.....	
2. Multiply the number of packs on line 1 by \$.50.....	Line 2) \$ _____ .00
Inventory of Stamped 25-cigarette Packs	
3. Inventory as of July 31, 2002. Number of packs.....	
4. Multiply the number of packs on line 3 by \$.625.....	Line 4) \$ _____ .00
Inventory of Other Quantities of Stamped Cigarettes (Computed on a per cigarette basis.)	
5. Inventory as of July 31, 2002. Number of sticks.....	
6. Multiply the number of cigarettes on line 5 by \$.025.	Line 6) \$ _____ .00
7. Add lines 2, 4 and 6	Line 7) \$ _____ .00
OTHER TOBACCO PRODUCTS (OTP)	
8. Total of wholesale prices of all other tobacco products. (Retailers, vending machine operators and secondary wholesalers: See Instructions for Michigan Tobacco Products Inventory Tax Return)	
9. Multiply line 8 by 4% (0.04).....	
10. Add lines 7 and 9.....	
TOTAL TAX DUE \$ _____ .00	
<i>I declare under penalty of perjury that the information in this return is true and complete to the best of my knowledge.</i>	
Typed or Printed Name and Title	
Signature	Date

Questions: Call the Tobacco Products Inventory Tax Review Unit at (517) 636-4158. Deaf, hearing or speech impaired persons call (517) 636-4999 (TTY).

Make checks payable to: "State of Michigan." Write the words "Tobacco Products Inventory Tax" on the front of your check.

Mail check and return to: Michigan Department of Treasury
Discovery and Tax Enforcement
P.O. Box 30140
Lansing, MI 48909

Instructions for Michigan Tobacco Products Inventory Tax Return (Form 2374)

In accordance with House Bill 5248 - Bill to amend P.A. 327 of 1993 (the "Tobacco Products Tax Act") every licensed wholesaler, unclassified acquirer, secondary wholesaler, cigarette vending machine operator and retailer must submit an inventory of all cigarettes on hand as of the close of business on July 31, 2002. Inventory will also need to be submitted on all Other Tobacco Products (OTP) on hand as of the close of business on July 31, 2002. The tax due on your July 31 cigarette inventory will be \$.025 per cigarette, or \$.50 on a 20-cigarette pack, and \$.625 on a 25-cigarette pack. The tax due on your July 31 OTP will be \$.04 on the wholesale price of the OTP. This form must be filed with the Department of Treasury and the tax paid by September 3, 2002.

The amount of tax due on your July 31, 2002 inventory is equal to the increase in the cigarette tax rate as follows: from 37.5 mills to 62.5 mills per cigarette, or from \$.75 to \$1.25 on a 20-cigarette pack and from \$.9375 to \$1.56 on a 25-cigarette pack. All cigarettes sold as of August 1, 2002 are subject to the new tax rate.

The amount of tax due on your July 31, 2002 inventory is equal to the increase in the other tobacco products tax rate as follows from 16% to 20% of the wholesale price. All other tobacco products sold as of August 1, 2002 are subject to the new tax.

Line 8 Special Instructions for Retailers, Secondary Wholesalers and Vending Machine Operators:

The wholesale price of OTP is the established price for which a manufacturer sells tobacco products to a distributor before the allowance of any discount, trade allowance, rebate or other reduction. In the absence of the established price, the wholesale price is the manufacturer's invoice price. Generally, if the manufacturer's established price or the manufacturer's invoice price are not known, the tax would be computed on the price at which the tobacco products were purchased, without allowance of any discount, trade allowance, rebate or other reduction. **However, for purposes of this one-time floor tax only, if you do not**

know or cannot identify the wholesale price of the OTP, you may use 50% of the OTP retail price (excluding sales tax) as the wholesale price.

Attention vending machine operators

Each vending machine operator should take a physical inventory of as many machines as possible with available personnel. If it is impossible to take a physical inventory of each vending machine, the vending machine operator may pay a tobacco products floor tax based on one-half of the **normal fill capacity** for those machines that cannot be physically inventoried on July 31, 2002.

Normal fill capacity means the inventory as indicated on the individual inventory record maintained for each vending machine on location. For example, if the normal fill capacity of a machine is 200 cigars and the wholesale price of each cigar is \$2.50, the Department will permit the vending machine operator to report a tax based on one-half of 200, or 100 cigars, at 4% of their wholesale price of \$250 (100 cigars x \$2.50) for a tobacco products floor tax due of \$10.00 (4% x \$250) for that machine.

NOTE: That the alternative method outlined above **only applies** to vending machines on location. A physical inventory must be taken of all tobacco products stored elsewhere.

Failure to file Form 2374 and/or remit the tax due may result in the issuance of a computed intent to assess for tax, penalty and interest in accordance with P.A. 122 of 1941, as amended.

Forms and payments that are not timely filed may be subject to assessment of penalty and interest for late filing in accordance with P.A. 122 of 1941, as amended, the Revenue Act.

This form is subject to an audit. In the event of an audit you will be required to substantiate your return with the above information and the appropriate books and records.

CIGARETTE VIOLATIONS

If you suspect that someone has acquired cigarettes in violation of the statute, call 1-800-292-2824.